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BBC REALTY INVESTORS Annual Report 1978

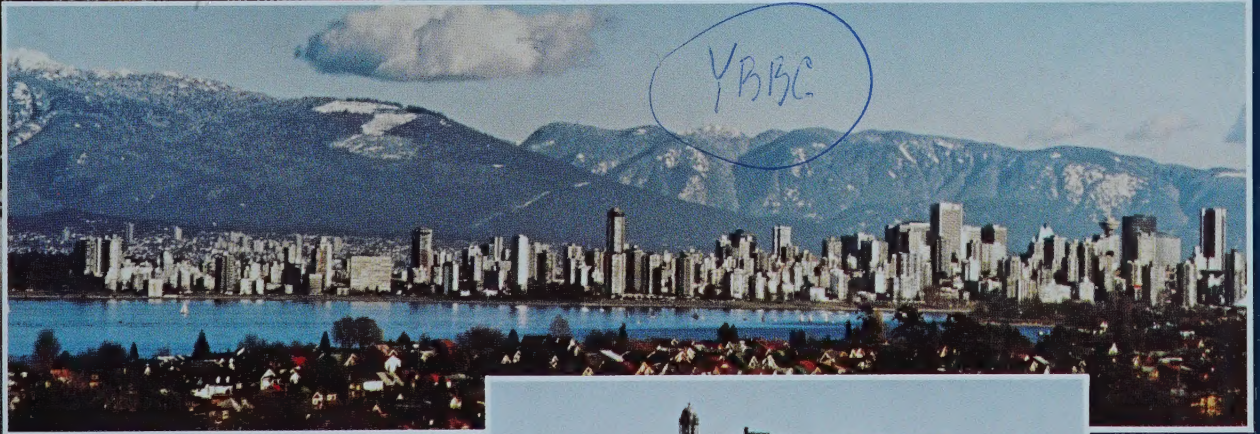


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 #635 - 555 Burrard Street
 Vancouver, British Columbia
 V7X 1K1
 (604) 668-4442

EDMONTON — Capital Square (2)
 #603 - 10065 Jasper Avenue
 Edmonton, Alberta
 T5J 3B1
 (403) 426-0738

CALGARY — Daon Building (3)
 #403 - 444 - 5th Avenue S.W.
 Calgary, Alberta
 T2P 2T8
 (403) 261-6030



BBC REALTY INVESTORS

(AN UNINCORPORATED TRUST ESTABLISHED UNDER THE LAWS OF BRITISH COLUMBIA)

Financial Highlights

	1978	1977	1976	1975	1974	1973
Gross Income*	\$15,404,534	\$12,248,770	\$10,612,900	\$ 9,192,059	\$ 6,561,176	\$ 2,323,954
Net Income	4,647,822	3,685,332	3,000,858	2,831,236	2,106,920	924,018
Income Distribution (per unit)	1.80256	1.70098	1.58076	1.49402	1.24769	0.86040
Total Assets	139,874,436	113,274,273	96,836,913	86,685,727	73,939,550	43,362,497
Equity	29,109,144	26,655,420	20,463,636	20,363,436	20,354,796	10,300,111
Outstanding Commitments	25,963,000	28,957,000	18,189,000	7,816,000	11,710,000	6,737,000
No. of Trust Units Issued and Outstanding	2,623,927	2,419,450	1,903,468	1,895,118	1,894,398	1,090,278
No. of Unitholders	5,882	5,250	4,279	4,024	3,931	2,546

*(Excluding 1978 Sale of Property Option)

Annual General Meeting of Unitholders
will be held in the
Board Room, Hotel Vancouver
Vancouver, British Columbia
Wednesday, March 21, 1979
11:00 a.m., Vancouver time

ADVISOR

Bank of British Columbia
#1725 - 555 Burrard Street
Vancouver, British Columbia

UNIT REGISTRAR and TRANSFER AGENT

National Trust Company, Limited
Vancouver, British Columbia

STOCK SYMBOL

BBT un

LEGAL COUNSEL

Lawson, Lundell, Lawson & McIntosh
Vancouver, British Columbia

AUDITORS

Coopers & Lybrand
Vancouver, British Columbia

SECURITIES LISTINGS

Montreal Stock Exchange
Toronto Stock Exchange
Vancouver Stock Exchange



President's Report

Each year we have had the privilege of advising you that BBC Realty Investors has experienced its most successful and profitable year since inception. At year end 1978 this trend continued with assets, equity and earnings higher than previously recorded.

Total assets rose to \$139,874,436 from \$113,274,273 a year earlier, representing a 23.5% increase, and net earnings rose from \$3,685,332 at the end of 1977 to \$4,647,822, a 26.1% increase. These earnings provided for an income distribution of \$1.80 per Trust Unit outstanding during the year compared with \$1.70 per Trust Unit a year earlier.

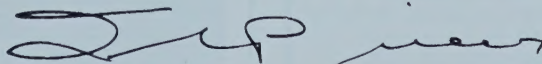
During the year the Trust issued 204,477 new Trust Units as a result of the exercise of warrants which matured on August 15, 1978. With the issuance of these Units, and the receipt of the proceeds, the equity base increased to \$29.1 million from \$26.6 million the previous year. It is noteworthy that with the maturity of the warrants, distributions cannot be further affected by dilution as the Trust is presently structured. With the current equity base and present regulatory limitations, the Trust has the capacity to expand assets by approximately 30% before additional equity funds are necessary.

The Trust's policy of maintaining a diversified portfolio has again proven its strength during a year of keen competition and rapidly changing interest rates. Despite these factors, satisfactory growth and replacement of maturing investments were achieved. In addition, the Trust's position was substantially strengthened by increasing the general provision for losses to \$1.35 million. While the Trust has experienced no losses in the past, and at present does not anticipate any loss, the Trustees consider it prudent management to maintain this provision at a realistic level in relation to invested assets. The provision increase of \$1 million during the year was made possible without a burden on normal income and distributions through the sale, by the Trust, of an option to purchase a completed property which the Trust held for two years.

Western Canada's economy remains strong, particularly in Alberta, and is evidenced by our increasing penetration into that market. We anticipate this trend to continue in both Alberta and British Columbia for the foreseeable future and are well situated to maximize on available opportunities.

The competition for good investments is very strong which tends to hold fixed rates on conventional lending down, therefore reducing earning margins. Should it remain apparent that the earning spreads on fixed rate, longer term business are unattractive, it is possible that asset expansion in this area will not be as strong as in the past year. We do, however, expect BBC Realty Investors to continue to enjoy a prominent role in Western Canada, and look forward to another promising year.

We welcome as Trustees Mr. John L. Schlosser of Edmonton and Mr. D. Edwin McGeachan of Vancouver who joined us in May and October, 1978 respectively. We are confident their knowledge and input will be beneficial to the Trust. We also express our sincere gratitude to Mr. Albert E. Hall and Mr. J. Bruce Smith who retired from the Board during the year. Their support and contributions over the past six years have greatly assisted in the success achieved by the Trust.



T. W. PILLEY, President

BBC REALTY INVESTORS Board of Trustees



T. W. PILLEY — President

Trevor Pilley is Chairman of the Board and Chief Executive Officer of the Bank of British Columbia, and a Director of British Columbia Resources Investment Corporation.

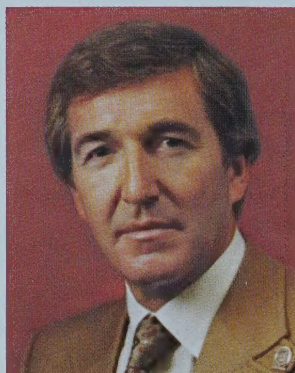
Mr. Pilley has served as President and Trustee of BBC Realty Investors since May 1974. He is a member of the Investment Committee and is President of an affiliated company, BBC-RI Services Ltd.



D. M. CLARK, Q.C.

Don Clark is a senior partner of Messrs. Clark, Wilson & Company and has always been a resident of Vancouver. Mr. Clark is a Director and Secretary of Bank of British Columbia and is a director of a number of other companies. He is also actively engaged in several charitable organizations.

Mr. Clark is an original Trustee having served on the Board since November 1972.



N. N. GREEN

Norman Green is President of Stewart, Green Properties Ltd., a commercial property development and holding corporation operating in Western Canada and Western United States, specializing in major shopping centers.

A resident of Calgary, he has a long record of civic involvement. He is Past President of the Calgary Chamber of Commerce, Director of the Canadian Chamber of Commerce, and Past President of the Calgary Jewish Community Council.

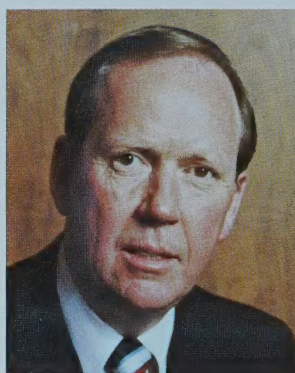
Mr. Green was appointed to the Board in December of 1975.



R. H. LEE

Bob Lee is President of Ormidale Holdings Limited. A resident of West Vancouver, Mr. Lee has been actively involved in the real estate community for the past 17 years.

Mr. Lee is an original member of the Board of Trustees and also a member of the Investment Committee.



D. E. McGEACHAN

Ed McGeachan is President and Chief Operating Officer of the Bank of British Columbia. A resident of Vancouver, Mr. McGeachan is active in the Canadian Council of Christians and Jews as a Director.

A newly appointed member of the Board of Trustees and the Investment Committee, Mr. McGeachan joined the Board in October 1978.



A. J. NAROD

Alvin Narod, a Vancouver resident is Chairman of Narod Development Ltd. and Narod Construction Ltd., an organization active in the design, development and construction of residential and commercial projects. Mr. Narod is also the President of Jackson Investments Ltd.

An original member of the Board of Trustees and the Investment Committee, Mr. Narod retired from the Investment Committee in April of 1978.



J. L. SCHLOSSER

John Schlosser is President of Tri-Jay Investments Ltd. and JayCar Investments Ltd. Both companies are active in the western real estate community.

A resident of Edmonton, Mr. Schlosser is associated with several companies as a Director, one of which is Bank of British Columbia. He is Chairman, Board of Governors, University of Alberta, and is also involved in many community activities.

Mr. Schlosser was appointed to the Board in May of 1978.



Wayne Allen is Senior Executive Vice-President of the Bank of British Columbia. A resident of Vancouver, Mr. Allen is presently the Second Vice-President of the Vancouver Board of Trade; Governor of the British Columbia Institute of Technology; and a Director of the Greater Vancouver Convention and Visitors Bureau.

Appointed Trustee and Vice-President of BBC Realty Investors in June of 1976, Mr. Allen is also a member of the Investment Committee.

W. W. ALLEN — Vice-President



Arthur Block has been active in the real estate industry for 25 years. Mr. Block is Chairman of the Board of Block Bros. Industries Ltd. and a resident of Vancouver. He is Chairman of Tree Island Steel Co. Ltd. and a Governor of Regent College, as well as a Director of the Canadian Council of Christians and Jews.

A member of the Board of Trustees as well as the Investment Committee, Mr. Block is one of the original Trustees.

A. J. BLOCK



Leon Kahn is President of Laurelton Investments Ltd. and a long time resident of Vancouver. He is well known in the business community and is a Director of 2200 Burrard, Wilks and Kahn Sales Ltd., and Tree Island Steel. Mr. Kahn is President of the Seattle Trade Centre and several other companies.

Mr. Kahn has been a member of the Board of Trustees since February 1977 and has served on the Investment Committee of BBC Realty Investors since April 1978. He is also a member of the Audit Committee.

L. KAHN



Allan Laird is Chairman of the Board of Steel Brothers Canada Limited. A long time resident of Vancouver, Mr. Laird is a Director of several Canadian companies including Dads Cookies Ltd., Agency Press Ltd., Steel Brothers Canada Ltd., and Security Credit Systems.

Mr. Laird has served on the Board of Trustees since May of 1976 and is also a member of the Audit Committee.

A. D. LAIRD



Bob Mair is a partner in the firm of Lawson, Lundell, Lawson & McIntosh.

Mr. Mair is an original member of the Board of Trustees having served as a Trustee and the Secretary of BBC Realty Investors since 1972. He is also a member of the Investment and Audit Committees of the Trust and Secretary of an affiliated company, BBC-RI Services Ltd.

R. J. MAIR — Secretary



Ken Stevenson is President and Chief Executive Officer of Stevenson Construction Co. Ltd., a major general contracting firm active in high rise, commercial and industrial type buildings. He is a Director of Columbia 4 Rinks Ltd., C.T.S. Developments Ltd. and other companies.

Mr. Stevenson is one of the original Trustees of BBC Realty Investors having served as a Trustee and member of the Investment Committee since 1972.

K. T. STEVENSON

OFFICERS OF THE TRUST

President — Trevor W. Pilley

Vice-President — Wayne W. Allen

Vice-President — T. Clay Brennen

Vice-President — Ray L. Young

Assistant Vice-President, Edmonton — Morris J. Caiger

Assistant Vice-President, Calgary — Ken G. Isard

Assistant Vice-President — Arnie E. Miles-Pickup

Secretary — Robert J. Mair

Treasurer — Les J. Fowler

Assistant Treasurer — Don R. A. Smith



- 1 Office remodelling — Edmonton.
- 2 Subdivision development — Vancouver.
- 3 Luxury hi-rise office building — Calgary;
Ken Isard, A.A.C.I.
- 4 Single family residential — Vancouver.
- 5 Office refinancing — Edmonton.
- 6 Commercial retail — Vancouver.

BBC REALTY INVESTORS — “The Trust”

The Trust, an unincorporated trust established under the laws of the Province of British Columbia by a Declaration of Trust, began operations on January 2, 1973. The beneficial interests under the Declaration of Trust are divided into transferable units. The Trust units are transferable by endorsement and delivery in substantially the same manner as shares of Canadian companies and are traded on the Vancouver, Toronto and Montreal Stock Exchanges.

The Trust was formed to provide investors with an opportunity to participate in income and gains through professional management of a diversified portfolio of real estate investments, including mortgages and equity investments in income producing properties.

The responsibility for the Trust and the conduct of its affairs, including acquisition and disposition of Trust assets, is vested in the Trustees. The Trustees have designated an Investment Committee from among their number with authority to decide on all investments not exceeding five per cent of the equity capital of the Trust. As required by the Declaration of Trust, a majority of the Trustees and the members of the Investment Committee are independent of the Bank of British Columbia, the Advisor to the Trust and its affiliates. Of the present 13 Trustees, eight are not directors, officers or employees of the Advisor. The Declaration of Trust also requires that at least 50 per cent of the Trustees voting on any investment decision must be independent of the Advisor and its affiliates.

The Trustees, on behalf of the Trust, have entered into a contract with the Advisor under which the Advisor investigates, evaluates and recommends investment and financing opportunities to the Trustees and administers the Trust's affairs on a continuing basis. The Advisor has created a special department with a permanent staff to administer the day-to-day functions of the Trust. Investment development and portfolio management are the responsibility of Mr. R. L. Young. Financial and administration requirements are under the direction of Mr. T. C. Brennen. In addition, the Advisor provides investment opportunities from its 43 branches throughout British Columbia and Alberta. The Advisor is

compensated for its services, and is responsible for all expenses of the operation of the Trust other than those prescribed by regulatory bodies such as interest expense, financing costs and the like, for which the Trust is responsible. As compensation for the services rendered to the Trust, an advisory fee is paid to the Advisor at the monthly rate of 1/8 of 1 per cent of the invested assets of the Trust, with a maximum of 25 per cent of net income before the Advisory fee.

BBC-RI Services Ltd., a company which provides financing to the Trust, borrows money from time to time at the request of the Trustees and lends the net proceeds of such borrowings to the Trust. 50 per cent of the outstanding shares of BBC-RI Services Ltd. are owned by the Advisor and 50 per cent by the Trustees on behalf of the Trust. BBC-RI Services Ltd. actively borrows funds by the issuance of short term commercial notes (notes with terms up to one year), medium term notes (notes with terms from one to ten years) and debentures.

One of the fundamental policies of the Trust is to distribute substantially all the annual net income earned on a quarterly basis. Should there be a net realized capital gain, it may be reinvested, if suitable investment opportunities are available, or it may be distributed to Unitholders, at the discretion of the Trustees.

The Trust qualifies as a “unit trust” and also qualifies under Section 132(6) of the Income Tax Act (Canada) and so long as it so qualifies it is not taxed on any income that is distributed to Unitholders.

The intention of the Trustees is to continue to develop a portfolio with a good mixture of real estate investments. Presently, the portfolio is made up of approximately two-thirds first mortgage loans on residential, commercial and industrial properties, and one-third in construction, land and development and junior mortgage investments. In some cases investments carry participation or option agreements. It is also the Trusts' intention to continue to qualify the Trust for the maximum leverage allowed of five times equity invested by maintaining the necessary balance of qualified first mortgages.

BBC REALTY INVESTORS

Balance Sheet as at December 31, 1978

ASSETS

	1978	1977
Cash	\$ 1,372,804	\$ 1,066,381
Accounts receivable	95,071	425,296
Investments in real estate mortgages (note 2)	137,136,706	111,547,827
Investment in and advances to affiliated companies (note 3)	485,855	117,548
Other assets	784,000	117,221
	<u>\$139,874,436</u>	<u>\$113,274,273</u>

LIABILITIES

Bank loans (note 9)	\$ 200,000	\$ 950,000
Accounts payable and accrued liabilities	72,011	67,807
Accrued interest payable	3,128,477	2,154,271
Income distribution payable (note 7)	1,266,204	1,018,531
Refundable commitment fees	248,671	153,163
Short term loans	36,874,929	23,876,581
Medium term loans (note 4)	59,275,000	24,361,000
Notes payable (note 5)	9,700,000	34,037,500
	<u>\$110,765,292</u>	<u>\$ 86,618,853</u>

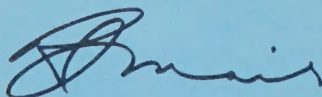
UNITHOLDERS' EQUITY

Trust units (note 6)	\$ 29,109,144	\$ 26,655,420
	<u>\$139,874,436</u>	<u>\$113,274,273</u>

APPROVED ON BEHALF OF THE TRUSTEES



T.W. Pilley, Trustee



R.J. Mair, Trustee

The accompanying notes form part of this statement.

BBC REALTY INVESTORS
Statement of Income and Undistributed Income
FOR THE YEAR ENDED DECEMBER 31, 1978

	1978	1977
Mortgage income and fees	<u>\$15,404,534</u>	<u>\$12,248,770</u>
Operating expenses		
Interest	8,967,011	7,090,045
Advisory fee (note 1)	1,549,274	1,228,444
Other	<u>241,927</u>	<u>144,949</u>
	<u>\$10,758,212</u>	<u>\$ 8,463,438</u>
Net income before the following	4,646,322	3,785,332
Gain on disposition of property option	1,001,500	—
Provision for losses	<u>(1,000,000)</u>	<u>(100,000)</u>
Net income for the year	<u>\$ 4,647,822</u>	<u>\$ 3,685,332</u>
Distribution to unitholders (note 7)	<u>4,647,822</u>	<u>3,685,332</u>
Undistributed income	<u>Nil</u>	<u>Nil</u>
Income per trust unit (note 1)	<u>\$ 1.80</u>	<u>\$ 1.70</u>
Fully diluted income per trust unit	<u>\$ 1.80</u>	<u>\$ 1.48</u>

Statement of Changes in Financial Position
FOR THE YEAR ENDED DECEMBER 31, 1978

	1978	1977
Source of cash		
Operations	\$ 4,646,322	\$ 3,785,332
Disposition of property option	1,001,500	—
Increase in accrued interest payable	974,206	202,404
Loans from BBC-RI Services Ltd.		
— short term	236,478,575	166,649,163
— medium term	39,539,000	21,075,000
Issue of trust units	2,453,724	6,191,784
Repayment of real estate mortgages	<u>53,912,281</u>	<u>46,721,909</u>
	<u>\$339,005,608</u>	<u>\$244,625,592</u>
Use of cash		
Investment in real estate mortgages	\$ 80,501,161	\$ 62,660,786
Repayment of bank loans	750,000	2,425,000
Distribution to unitholders (excluding income distribution payable of \$1,266,204; 1977 — \$1,018,531)	4,400,149	3,467,704
Repayments to BBC-RI Services Ltd.		
— short term loans	223,480,227	166,704,600
— medium term loans	4,625,000	8,805,000
— 7.75% note	<u>24,337,500</u>	<u>—</u>
Net change of other assets and liabilities	<u>605,148</u>	<u>483,086</u>
	<u>\$338,699,185</u>	<u>\$244,546,176</u>
Increase in cash for the year	306,423	79,416
Cash — beginning of year	<u>1,066,381</u>	<u>986,965</u>
Cash — end of year	<u>\$ 1,372,804</u>	<u>\$ 1,066,381</u>

The accompanying notes form part of this statement.

BBC REALTY INVESTORS

Notes to Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 1978

1. SIGNIFICANT ACCOUNTING POLICIES

The Trust

The Trust is an unincorporated investment trust established pursuant to a Declaration of Trust made in Vancouver, British Columbia and dated November 7, 1972, amended March 5, 1974. The Trust conducts its affairs in a manner whereby it qualifies as a "unit trust" under the Income Tax Act (Canada).

The Advisor

The Advisor provides investment opportunities, serves as financial consultant and administers the day-to-day affairs of the Trust. For these services the Trust pays a monthly fee not in excess of 1/8 of 1 per cent of invested assets, subject to an annual maximum of 25% of the net income of the Trust before deduction of the advisory fee.

Provision for Losses

The Trust makes specific provision for any losses anticipated on its loan portfolio by evaluating individual loans. To date no provision for specific losses on loans has been required. The Trust also makes a general provision for possible loan losses.

Income per Trust Unit

Income per Trust Unit is based on the number of Trust Units outstanding on the quarterly record date of distribution.

Comparative Figures

Certain comparative figures have been re-stated to conform with the presentation adopted in the current year. This re-statement has had no effect on earnings or Unitholders' equity for either 1978 or 1977.

2. INVESTMENTS IN REAL ESTATE MORTGAGES

	1978	1977	
Construction, development and land loans	\$ 42,026,237	\$ 25,671,581	The real estate mortgages mature as follows:
Other mortgage loans	94,950,269	85,023,574	
	136,976,506	110,695,155	
Accrued interest	1,510,200	1,202,672	
	138,486,706	111,897,827	
Allowance for losses	1,350,000	350,000	
	<u>\$137,136,706</u>	<u>\$111,547,827</u>	
			1979 \$ 44,493,884
			1980 29,474,486
			1981 20,632,113
			1982 14,345,440
			1983 28,030,583
			<u>\$136,976,506</u>

The Trust has entered into commitments for mortgage loans in the amount of \$25,963,000 which were not drawn down at the year end.

3. INVESTMENT IN AND ADVANCES TO AFFILIATED COMPANIES

The investment in and advances to affiliated companies is as follows:

	1978	1977
Investment in BBC-RI Services Ltd.	\$ 6,125	\$ 6,125
Investment in BBC Realty Investments Limited	6,650	6,650
Advances to BBC-RI Services Ltd.	473,080	104,773
	<u>\$485,855</u>	<u>\$117,548</u>

The Trust owns 50% of the outstanding shares of BBC-RI Services Ltd., a company which, at the request of the Trustees, borrows money and lends the net proceeds of such borrowings to the Trust. The Trust guarantees the principal and interest of such borrowings of the company as referred to in note 8.

The Trust owns 50% of the shares of BBC Realty Investments Ltd. and 100% of the shares of KQX Realty Holdings Ltd., both being inactive companies.

4. MEDIUM TERM LOANS

Medium term loans mature as follows:

	Fixed rate	Floating rate	Total
1979	\$ 3,950,000	\$	\$ 3,950,000
1980	350,000	12,000,000	12,350,000
1981	1,511,000	8,000,000	9,511,000
1982	5,075,000	5,000,000	10,075,000
1983	20,389,000	3,000,000	23,389,000
	<u>\$31,275,000</u>	<u>\$28,000,000</u>	<u>\$59,275,000</u>

5. NOTES PAYABLE

	1978	1977
Due July 31, 1981 bearing interest at 11.49%	\$9,700,000	\$ 9,700,000
Due August 15, 1978 bearing interest at 7.75%	—	24,337,500
	<u>\$9,700,000</u>	<u>\$34,037,500</u>

6. TRUST UNITS

The number of Trust units authorized is unlimited and the amount issued and outstanding at December 31, 1978 is as follows:

	Units	\$
Issued and outstanding as at December 31, 1977	2,419,450	26,655,420
Warrants exercised in 1978 and converted to units at \$12 per unit	204,477	2,453,724
Issued and outstanding as at December 31, 1978	<u>2,623,927</u>	<u>29,109,144</u>

All previously outstanding warrants of the Trust have been exercised or have expired as at December 31, 1978.

7. INCOME DISTRIBUTION

The Trust has declared distributions quarterly throughout the year such that subsequently all net income has been paid or is payable to unitholders.

	Distribution		
	Amount	Amount per trust unit outstanding	Trust units outstanding
Date or Record:			
March 31, 1978	\$1,049,217	0.42000	2,498,136
June 30, 1978	1,125,394	0.44000	2,557,714
September 30, 1978	1,207,007	0.46000	2,623,927
December 31, 1978	1,266,204	0.48256	2,623,927
	<u>\$4,647,822</u>	<u>\$1.80256</u>	

8. THE TRUST GUARANTEES THE FOLLOWING:

- (a) Series B debenture of BBC-RI Services Ltd., \$9,900,000.
- (b) Medium term promissory notes issued by BBC-RI Services Ltd., \$59,275,000.
- (c) Short term promissory notes issued by BBC-RI Services Ltd., \$36,874,929.
- (d) Standby lines of credit for BBC-RI Services Ltd. with Canadian Chartered Banks of \$19,500,000, none of which was utilized at December 31, 1978.

All proceeds of the above have been advanced to the Trust.

9. BANK LOANS

The Trust maintains lines of credit with Canadian Chartered Banks for \$14,500,000 of which \$200,000 was utilized at the year end.

10. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Trustees on January 9, 1979.

Auditors' Report to the Unitholders

We have examined the balance sheet of BBC Realty Investors as at December 31, 1978 and the statements of income and undistributed income and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Trust as at December 31, 1978 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, B.C.
January 9, 1979

Coopers & Lybrand
Chartered Accountants



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2



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5



6

- 1 Strata-warehouse — Vancouver.
- 2 Commercial office — Edmonton.
- 3 Residential development — Calgary.
- 4 Retail commercial — Vancouver.
- 5 Industrial construction — Edmonton;
Tom Moffat, Investment Officer.
- 6 Office/warehouse — Calgary.

Financial Review

ASSETS

With the issue of new Trust Units through the exercise of outstanding warrants late in 1977 and during the first half of 1978 the need for greater asset growth during the year was apparent. 1978 saw a 23.5% growth in assets, the largest percentage growth since the second equity issue was placed in 1974.

While the increase in assets was substantial an average debt to equity ratio of 3.4:1 was experienced for the year which compares to an average of 3.5:1 during 1977. The average invested assets during the year was \$125.1 million. Of the \$86.5 million of investments approved during the year the portfolio realized a net increase of \$26.6 million. Outstanding commitments at year end were \$25.9 million which compares to \$28.9 million at year end 1977.

The portfolio mix continued to be relatively consistent with previous years, with the more noticeable changes from last year in the categories of residential and construction. These variances are a result of the limited spreads available on residential mortgages and the revitalization of construction in Western Canada. The increase in the construction portion of the portfolio returns this category to a more comparable level experienced prior to 1977. The hybrid nature of the portfolio allows the Trust to adjust quickly to the ever changing cycles of strength in the real estate community. This flexibility has and is expected to continue to satisfy the needs of the owner or developer while providing a good return to the Unitholders.

The table and graph on page 19 illustrate the present portfolio mix and yields as at December 31, 1978.

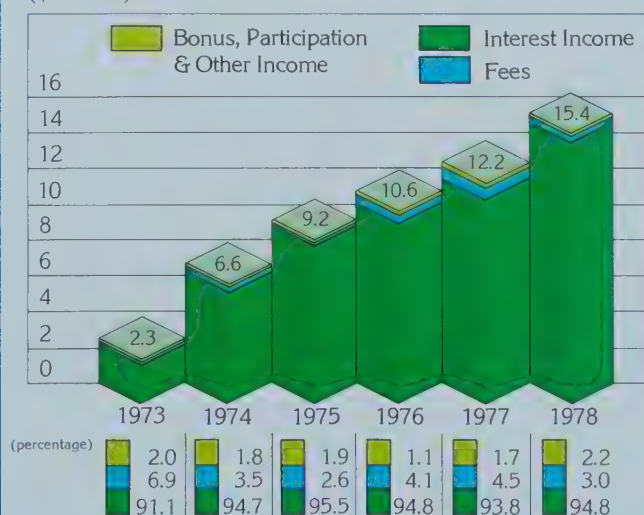
REVENUE

Operating revenue of mortgage interest, fees, participation and other income of \$15,404,534 increased by \$3,155,764 or 26% over last year with asset growth of 23.5%. In addition to the operating revenue, during the first quarter, the Trust received \$1,001,500 from the sale of an option to purchase a completed property. For the purpose of the comparative graph below this amount has been excluded as it is not considered to be recurring income and would distort comparable figures.

Apart from the receipt of the funds from the option sale, interest income increased slightly as a percentage of operating revenue as was expected with the growth of assets. Fees, bonus, participation and other income continued to supplement interest income. As stated in previous years, while bonus and participation revenue cannot be totally assured in future, management is confident that revenue from this source will continue, as will fee income.

During the year the average yield on interest income was 11.67% and when supplemented by fees and other income rose to 12.31%. Constant monitoring and revision of new and existing forms of investment programs are undertaken by the Trust in order to find additional opportunities to further enhance profits.

OPERATING REVENUE
excluding 1978 Sale of Option
(\$ million)



REVENUE

	1978	1977	1976	1975	1974	1973
Interest Income	\$14,597,165	\$11,487,774	\$10,058,340	\$ 8,767,488	\$ 6,210,792	\$ 2,115,572
Fees	473,030	552,217	439,858	245,613	230,596	161,590
Bonus, Participation & Other Income	334,339	208,779	114,702	178,958	119,788	46,792
1978 Sale of Property Option	1,001,500					
	\$16,406,034	\$12,248,770	\$10,612,900	\$ 9,192,059	\$ 6,561,176	\$ 2,323,954

FINANCING

Nineteen seventy-eight was a year in which the Trust experienced its largest demand for new financing. This resulted from the need to fund asset growth of approximately \$26.6 million and to provide for the replacement of maturing term debt of \$29.0 million.

In addition to the receipt of new equity funds of \$2.5 million and the increase in commercial paper borrowing by approximately \$13 million, the major supply of new funds was obtained through the issuance of \$39.5 million of Medium Term Notes. Included in the medium term note funds were the proceeds of the successful underwriting of a \$15 million fixed rate, five year term, issue which was completed under an "evergreen" prospectus. This method of issuing the notes resulted in cost savings and the elimination of time delays that were previously experienced. Both commercial paper and medium term notes are provided by, and issued through, BBC-RI Services Ltd., an affiliate company.

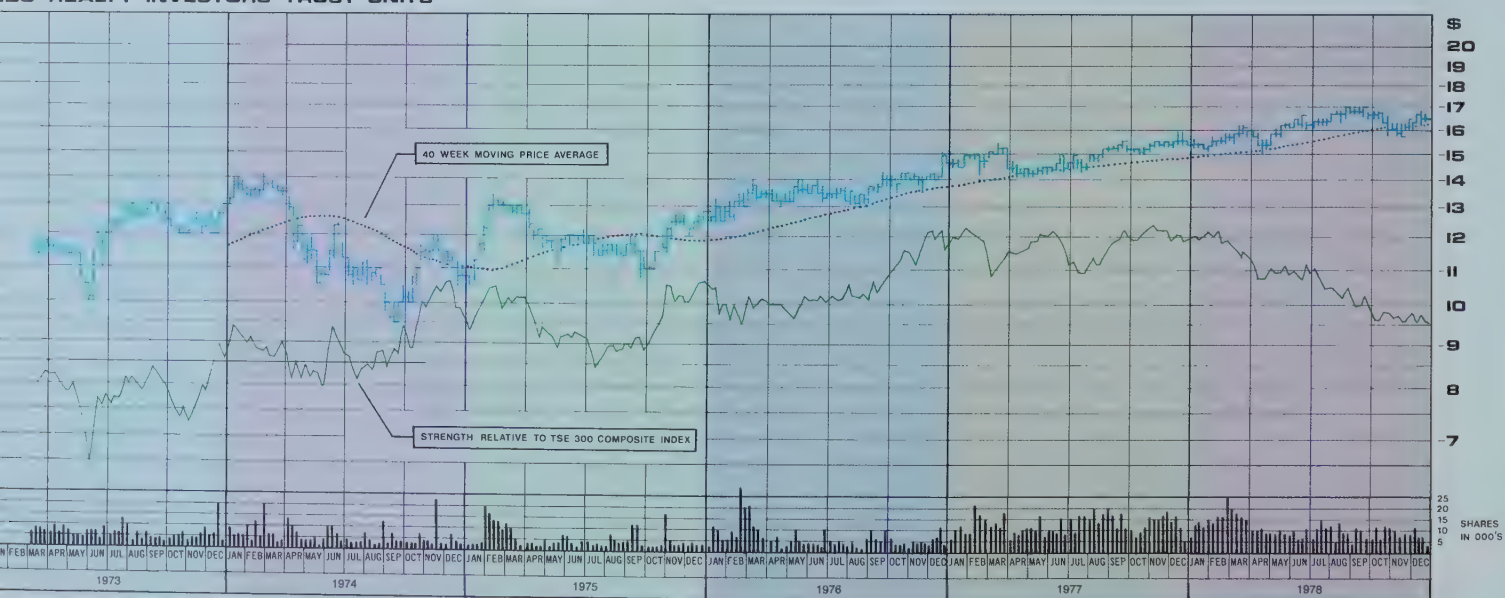
As in the past the Trust continues to endeavour to match assets and liabilities which have similar characteristics such as terms and fixed or floating yields or costs. To date satisfactory results have been achieved.

As both international and domestic markets influence the method and timing of financing, the Trust continues to review and adjust its forms of financing in order to satisfy the needs of both the investor and the Trust.

EARNINGS AND DISTRIBUTION

Net earnings for the year of \$4,647,822 increased 26.1% from \$3,685,332 in 1977. Steady growth in earnings was experienced in each quarter which reflected the increase in both the asset and the equity base. Net earnings per Trust Unit for the quarters were 42.9¢, 44.2¢, 46.2¢, 47.0¢ respectively, which provided for quarterly distributions of 42¢, 44¢, 46¢, and 48.2¢. Total earnings and distributions on the average outstanding number of Trust Units at the end of each quarter amounted to \$1.80 per Trust Unit for the year, which compares with \$1.70 a year earlier. With the maturity of the outstanding warrants in 1978 the Trust is now, after five years, in the position where further dilution is not a factor. At year end 1978, the Trust enjoyed relatively low leverage of 3.75:1, which is positive in terms of future growth and earnings potential.

BBC REALTY INVESTORS TRUST UNITS





Ray L. Young, C.P.M., A.A.C.I.
Vice-President Production

T. Clay Brennen
Vice-President,
Finance and Administration

BBC REALTY INVESTORS OPERATING MANAGEMENT

It is Ray Young's responsibility to generate and manage successful investment opportunities for the Trust. His knowledge and experience in the real estate community over the past years is greatly strengthened by the background and abilities of his team of Investment officers in Alberta and British Columbia. It is the responsibility of this team to structure investments in a manner in which the maximum benefit to the Trust is provided through participation, bonus income and fees while providing client satisfaction.

As Chief Financial Officer, Clay Brennen heads the financial team responsible for the development and completion of the various programs which provide the Trust with the necessary capital to fund investments. Included in the administrative responsibilities is close involvement with Government and Regulatory Authorities with regard to new and existing regulations which effect the Trust. Structural policies of the Trust are continually monitored in order to provide the best results for the Unitholders and the Trust.

1978 in Review

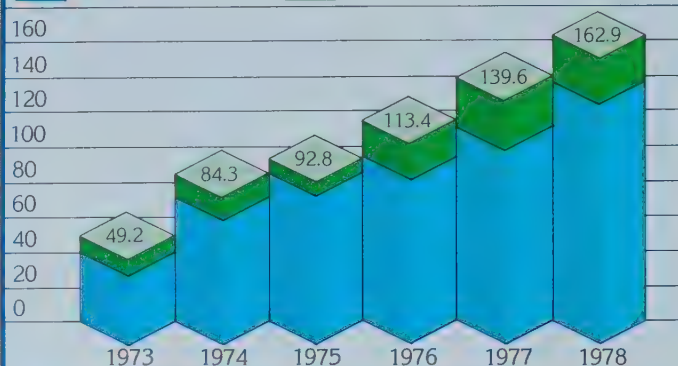
Jan. 1	Investments of \$111.5 million with outstanding commitments of \$28.9 million.
Jan. 27	Final income distribution for 1977 of 42.098¢ per Trust Unit.
Mar. 16	First quarter income distribution of 42¢ per Trust Unit declared.
Mar. 22	Annual General Meeting.
Mar. 31	Disposition of property option for \$1 million.
Mar. 31	Investments of \$116.9 million with outstanding commitments of \$26.3 million.
Jun. 20	Second quarter income distribution of 44¢ per Trust Unit declared.
Jun. 30	Investments of \$125.2 million with outstanding commitments of \$25.0 million.
Aug. 1	Closing of \$15 million Medium Term Note Issue.
Aug. 15	Maturity of outstanding warrants.
Sep. 20	Third Quarter income distribution of 46¢ per Trust Unit declared.
Sep. 30	Investments of \$129.1 million with outstanding commitments of \$21.7 million.
Dec. 19	Final income distribution declared.
Dec. 31	Investments of \$137.1 million with outstanding commitments of \$25.9 million.

Subsequent to Year-End

Jan. 31, 1979 Final income distribution for 1978 of 48.256¢ per Trust Unit.

Investments and Commitments (\$ millions)

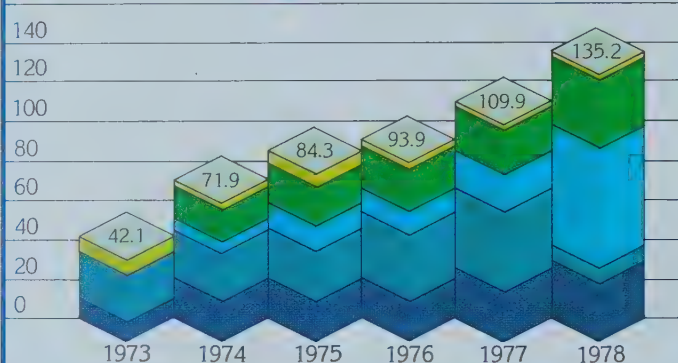
Investments Commitments



Investments and Commitments (thousands of dollars)

	1978			
	Dec. 31	Sept. 30	June 30	March 31
Investments	136,977	129,380	125,646	117,326
Outstanding Commitments	25,963	21,700	25,000	26,300
	162,940	151,080	150,646	143,626

Source of Funds (\$ millions)

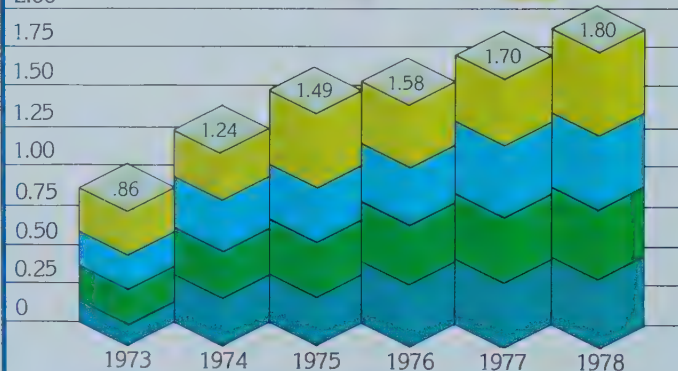
Bank Loans Medium-Term Notes Equity
Short-Term Notes Debenture Proceeds

Source of Funds (thousands of dollars)

	1978			
	Dec. 31	Sept. 30	June 30	March 31
Bank loans	200	575	—	650
Short term loans	36,875	30,505	20,636	17,144
Medium term loans	59,275	58,750	40,750	37,411
Note due August 15, 1978	—	—	24,338	24,338
Note due July 31, 1981	9,700	9,700	9,700	9,700
Equity	29,109	29,109	28,315	27,600
	135,159	128,639	123,739	116,843

Distribution per Trust Unit
Outstanding by Quarters (\$)

First Second Third Fourth



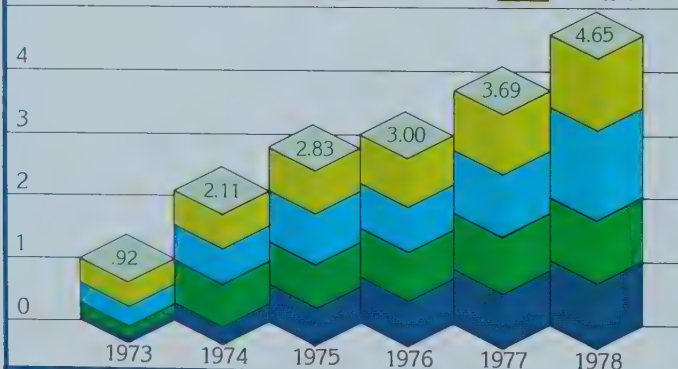
Earnings and Distribution on Outstanding Trust Units

	1978			
	Dec. 31	Sept. 30	June 30	March 31
Outstanding Trust Units (in thousands)	2,624	2,624	2,558	2,498
Net Earnings (thousands of dollars)*	\$1,234	\$1,211	\$1,131	\$1,072
Distribution (thousands of dollars)	\$1,266	\$1,207	\$1,126	\$1,049
Net Earnings per Trust Unit*	47.0¢	46.2¢	44.2¢	42.9¢
Distribution per Trust Unit	48.26¢	46.0¢	44.0¢	42.0¢
Return on Equity	16.29%			

*1975 quarterly earnings have been restated to reflect the change in accounting policy regarding the provision for losses.

Net Earnings (\$ millions)

1st Quarter 2nd Quarter 3rd Quarter 4th Quarter



Market Statistics of Units

Year Ending December 31

	1978	
Price range of units	High-Low	\$17 \$15
Price earnings range	High-Low	9.4:1 8.3:1

1977				1976				1975				1974			
Dec. 31	Sept. 30	June 30	March 31	Dec. 31	Sept. 30	June 30	March 31	Dec. 31	Sept. 30	June 30	March 31	Dec. 31	Sept. 30	June 30	March 31
0,695	99,010	106,540	101,847	95,157	91,291	87,442	85,479	85,004	82,323	80,809	77,635	72,664	60,571	59,190	48,024
8,957	28,200	18,000	15,900	18,189	15,800	13,714	10,743	7,816	12,011	11,795	10,200	11,710	16,400	18,000	9,282
8,652	127,210	124,540	117,747	113,346	107,091	101,156	96,222	92,820	94,334	92,604	87,835	84,374	76,971	77,190	57,306

1977				1976				1975				1974			
Dec. 31	Sept. 30	June 30	March 31	Dec. 31	Sept. 30	June 30	March 31	Dec. 31	Sept. 30	June 30	March 31	Dec. 31	Sept. 30	June 30	March 31
950	—	900	475	3,375	200	900	2,950	6,200	250	400	700	4,950	250	800	3,100
8,877	16,060	26,308	25,448	23,932	20,980	25,156	24,887	19,188	23,138	21,706	20,741	14,449	14,820	12,980	10,788
4,361	25,361	21,526	20,016	12,091	14,966	15,905	12,705	14,350	13,835	13,500	11,500	8,000	2,000	—	—
4,338	24,338	24,338	24,338	24,338	24,338	24,338	24,338	24,338	24,338	24,338	24,338	24,338	24,338	24,338	24,338
9,700	9,700	9,700	9,700	9,700	9,700	—	—	—	—	—	—	—	—	—	—
8,655	24,483	22,197	21,075	20,463	20,395	20,381	20,364	20,363	20,363	20,363	20,359	20,355	20,355	20,355	10,323
8,881	99,942	104,969	101,052	93,899	90,579	86,680	85,244	84,439	81,924	80,307	77,638	72,092	61,763	58,473	48,549

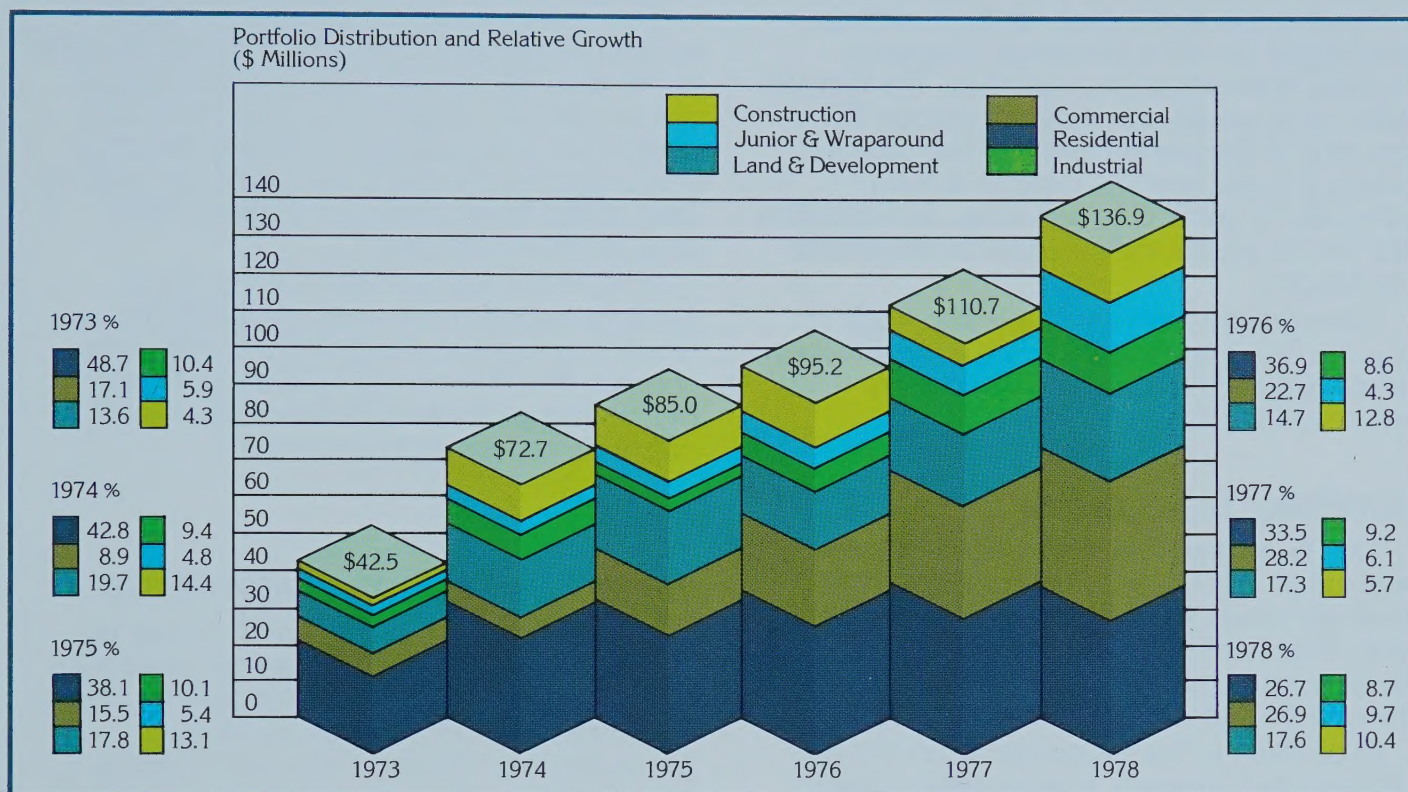
1977				1976				1975				1974			
Dec. 31	Sept. 30	June 30	March 31	Dec. 31	Sept. 30	June 30	March 31	Dec. 31	Sept. 30	June 30	March 31	Dec. 31	Sept. 30	June 30	March 31
419	2,238	2,048	1,954	1,903	1,898	1,897	1,895	1,895	1,895	1,895	1,895	1,894	1,894	1,894	1,090
930	\$1,007	\$918	\$830	\$779	\$750	\$746	\$726	\$710	\$845	\$665	\$611	\$603	\$576	\$572	\$356
018	\$985	\$881	\$801	\$801	\$740	\$740	\$720	\$841	\$739	\$644	\$606	\$659	\$568	\$530	\$349
7.9¢	44.9¢	44.8¢	42.5¢	40.9¢	39.5¢	39.3¢	38.3¢	35.7¢	44.6¢	35.1¢	32.3¢	31.8¢	30.4¢	30.2¢	32.6¢
09¢	44.0¢	43.0¢	41.0¢	42.07¢	39.0¢	39.0¢	38.0¢	44.40¢	39.0¢	34.0¢	32.0¢	34.77¢	30.0¢	28.0¢	32.0¢
51%				14.66%				13.90%				11.69%			

1977		1976		1975		1974	
5	\$14-1/8	\$15-1/4	\$12-1/2	\$13-3/8	\$10-1/4	\$14-1/8	\$9-1/2
1	8.3:1	9.7:1	7.9:1	9.0:1	6.9:1	11.3:1	7.6:1



- 1 Multi-residential, Vancouver — Steve Bayly and Bruce Caple, Investment Officers, British Columbia.
- 2 Commercial retail — Edmonton.
- 3 Hotel & Convention facility — Edmonton.
- 4 Commercial dealership — Calgary.
- 5 Multi-residential — Edmonton.

PORTFOLIO COMPOSITION



Portfolio Distribution

As at December 31, 1978

		Total	Weighted Average Yield
FIRST MORTGAGES ON COMPLETED REAL ESTATE			
Residential	\$ 36,574,763		
Commercial	36,877,483		
Industrial	11,942,513	\$ 85,394,759	11.47%
JUNIOR MORTGAGES ON COMPLETED REAL ESTATE AND LAND			
Residential	\$ 1,476,000		
Commercial	7,042,120		
Industrial	1,037,390		
Land and Development	2,489,855	12,045,365	13.71%
FIRST MORTGAGES ON CONSTRUCTION, DEVELOPMENT AND LAND LOANS			
Residential	\$ 1,139,250		
Commercial	12,057,585		
Industrial	2,322,910		
Land and Development	24,016,637	39,536,382	14.91%
		\$136,976,506	12.65%

The investments mature as follows: (Thousands of dollars)

1979 — \$44,494
 1980 — \$29,474
 1981 — \$20,632
 1982 — \$14,345
 1983 — \$28,031

44.1% of the above investments have rates which are subject to changes with the bank prime rate. The bank prime rate was 11.50% at December 31, 1978.

The above rates do not reflect the additional revenues received from fees, bonus, participation and other income.

Principal Types of Investments

The Trust is constantly aware that the economy does not remain static for any period of time. It is our purpose and responsibility to move with the times and for the best advantage of our Unitholders and our Clients. We are professionally staffed to do this and our wide diversification of skills enables us to react swiftly to socio-economic changes.

Executive headquarters in Western Canada enable us to be instantly aware of changes in local conditions and to respond to these conditions in a positive manner.

At the moment, our investment portfolio capacity is divided into seven major categories. Depending on the economic pattern, the weighting and terms of loans within each category will adjust to take changes into account.

RESIDENTIAL

Loans on single family residential dwellings and apartment buildings account for a large portion of our investment portfolio. Normally, loans are for a five year term with an amortization of up to 25 years. Unless insured, such loans are not likely to exceed a loan-to-value ratio of 75 per cent.

COMMERCIAL AND INDUSTRIAL

Commercial and industrial loans include mortgages on office buildings, shopping centres, and industrial properties. The loan-to-value ratio would normally not exceed 75 per cent of the market value of the security, unless insured, and the income stream adequate to cover debt servicing. Amortization and terms are normally similar to residential mortgages.

Intermediate term loans are also made to provide funds on completed projects and may have shorter terms, usually without an amortization feature.

CONSTRUCTION LOANS

The Trust provides funds required to acquire real estate and to construct and/or add to improvements. In most cases, the interest rates float with the cost of funds. Strict underwriting guidelines are enforced to ensure the quality and safety of the investment.

In addition to the expertise of the Trust's Officers and Trustees, independent opinions are often sought regarding project feasibility. Independent appraisals are required in many instances, with on site inspection work carried out by the Advisor's staff, in addition to which project progress reports must be provided by professional engineers.

Our policy is to ensure that the owner's equity funds are in the project prior to our making advances, with adequate funds retained to complete the project.

LAND AND DEVELOPMENT

Funds are provided for the acquisition of unimproved land and for its development into finished sites. The formula for loans of this type is similar to other interim lending programmes, with the exception that the loan rarely exceeds 60 per cent of the market value of the finished project. The size of the loan may be increased when the Trust is to participate in future profits.

In the case of unimproved raw land, the loan ratio is again conservative and the loan may also be insured.

OTHER MORTGAGE INVESTMENTS

The Trust may invest in junior or wrap-around mortgages. Normally the total amount of the loan (ie: the full indebtedness) would not exceed the amount the property would support in a normal first mortgage situation. More specifically, the Trust would not make a loan of this type unless it was prepared to assume the entire debt.

In all of the various types of mortgage lending, opportunities exist by which the Trust may enhance its yield from additional sources. It is the constant objective to seek out such opportunities to the mutual benefit of our borrowers and Unitholders.

REAL ESTATE EQUITY INVESTMENTS

It is an ongoing objective of the Trust to seek equity investments in income-producing properties such as apartment buildings, office buildings, commercial and industrial developments. These investments may be held directly or through shares in companies holding such investments.

PURCHASE-LEASEBACKS

Purchase-leasebacks are another type of investment considered by the Trust. In these cases, property may be purchased by the Trust who in turn enters into variable term leases, generally with the vendor.

SUMMARY

While we have listed the principal types of investments currently occupying our energies and attention, this does not by any means exhaust the opportunities opening to us on a day-to-day basis. It is important to be able to respond to these in a positive and rewarding way. This we have been able to do because of the combined skills and experience of our management and staff and this we will continue to do on behalf of our Unitholders.



Retail commercial — Edmonton; Morris Caiger, A.A.C.I.

